

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

In the Matter of:

Petition for Rulemaking to Amend  
Part 32 of the Commission's Rules  
to Eliminate Detailed Property Records  
for Certain Support Assets

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RM-8640

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AMERITECH'S REPLY COMMENTS

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The Ameritech Operating Companies<sup>1</sup> ("Ameritech" or the "Company"), respectfully offer the following reply to the comments on the Petition for Rulemaking ("Petition") filed by the United States Telephone Association ("USTA") in this docket on May 31, 1994. USTA's Petition asked the Commission to amend its existing rules by eliminating detailed property record requirements for support assets in certain accounts and permitting vintage amortization level ("VAL") property records for those assets. In its initial comments, Ameritech offered its support for USTA's proposal and asked the Commission to adopt the rules USTA proposed, effective January 1, 1996.

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<sup>1</sup> The Ameritech Operating Companies are: Illinois Bell Telephone Company, Indiana Bell Telephone, Incorporated, Michigan Bell Telephone Company, The Ohio Bell Telephone Company and Wisconsin Bell, Inc.

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Those who favor USTA's VAL Petition offered a variety of public interest arguments in support of their position.<sup>2</sup> They explained how VAL accounting would reduce costs and increase efficiency with no loss of internal control of assets or regulatory oversight. They explained that VAL accounting is not novel, but has been used in other regulatory contexts for years with no negative implications. They explained why VAL accounting is preferable to the Commission's proposal to increase expense limits for support assets to a modest \$750 level, or even the \$2000 level proposed by USTA.<sup>3</sup> And they explained why VAL accounting would be especially appropriate for pure price cap companies whose prices would be unaffected by USTA's proposal.

The contrary arguments made by the opponents of VAL accounting are unpersuasive. The Public Utilities Commission of Ohio ("PUCO"), for example, argues that it would be "premature" to reduce the level of property record detail because not all telephone companies operating in Ohio are regulated under price cap rules and those that are conceivably could return to

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<sup>2</sup> Besides Ameritech, those filing initial comments generally in support of the USTA proposal were: USTA, the Public Service Commission of Wisconsin, the Pennsylvania Public Utility Commission, BellSouth Telecommunications, Inc., NYNEX, Southwestern Bell Telephone Company, Pacific Bell and Nevada Bell, Cincinnati Bell Telephone, US West Communications, Inc., GTE Service Corporation, and Bell Atlantic.

<sup>3</sup> Ameritech believes that it would have the potential for greater cost savings with USTA's VAL proposal, as compared to USTA's proposal to increase expense limits for support assets to \$2,000.

rate base/rate of return regulation in the future.<sup>4</sup> According to the PUCO, the kind of simplification contained in the USTA proposal should not be allowed until the telecommunications industry is sufficiently competitive such that no form of regulation of any kind is needed.

This “all or nothing” approach is too extreme to be reasonable. VAL accounting does not compromise the “used and useful” concept of traditional, revenue requirements regulation as the PUCO contends. Instead, it merely simplifies the depreciation process by replacing costly studies with an amortization method and, in the process, helps ensure timely retirements. VAL accounting does not preclude establishing a baseline price cap or interconnection costs as the PUCO contends. Rather, the time consuming and costly methods for estimating depreciation expense simply are replaced by amortization expense established on the basis of the Commission’s approved range of lives. In the event a price cap carrier returns to traditional regulation, cost of service studies can be completed to accommodate any legitimate interest of state regulators.

While expressing its general support for eliminating unnecessary administrative burdens, NARUC suggests that the Commission be very cautious in this area because of the potential effects of USTA’s proposal on

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<sup>4</sup> See also Comments of the New York State Department of Public Service at 3.

separations, cost of service and cost allocation studies, transfers, adjustments, and reclassifications.<sup>5</sup> However, continuing property records for the general support assets included in USTA's Petition have nothing to do with jurisdictional separations, cost of service or cost allocations. USTA's proposal would not alter equipment accounting classifications, item descriptions, retirement units, or any part of the jurisdictional separations process. Expenses would continue to be recorded in accordance with Part 32 and separated in accordance with Parts 64 and 36. It is true under USTA's proposal that certain continuing property records are eliminated, but those records would not be needed for depreciation studies because VAL accounting eliminates depreciation studies for the support assets identified in USTA's Petition.

MCI argues that the Commission should reject USTA's VAL proposal because there is insufficient information to assess the potential for the cost savings associated with VAL accounting. Ameritech estimates that the cost savings associated with VAL accounting would be \$3.4 million. Moreover, the Public Service Commission of Wisconsin recognized the cost savings associated with VAL accounting. This should be sufficient information on which the Commission can evaluate the cost savings implications of USTA's proposal. But even if there were no cost savings to be realized, MCI should not be troubled because VAL accounting would not affect charges to MCI and

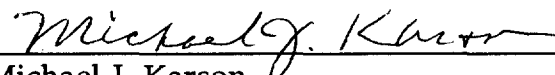
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<sup>5</sup> NARUC Comments at 6.

would not compromise regulatory oversight. It also should be noted that the matters involved in the National Exchange Carrier's Association audit and joint audit to which MCI refers in its comments have absolutely no relevancy to this docket and there is nothing about USTA's VAL proposal which would have impacted the matters reviewed in either of those two audits. MCI's reference to those audits is simply a diversion.

For these reasons and those discussed in the Company's initial comments in this docket, Ameritech recommends that the Commission initiate a rulemaking proceeding that culminates in the adoption of rules allowing for VAL accounting as described in USTA's Petition, effective January 1, 1996.

Respectfully submitted,

  
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August 1, 1995

**CERTIFICATE OF SERVICE**

I, Linda J. Jeske, do hereby certify that copies of the foregoing Ameritech's Reply Comments were sent via first class mail, postage prepaid, this 1st day of August, 1995 to the parties of record in this matter.

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